

VILLAGE OF MADISON

LAKE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2015 and 2014





Dave Yost • Auditor of State

Village Council
Village of Madison
126 West Main Street
Madison, OH 44507

We have reviewed the *Independent Auditor's Report* of the Village of Madison, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Madison is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 18, 2016

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VILLAGE OF MADISON
LAKE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Village of Madison
Lake County
126 West Main Street
Madison, OH 44057

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursement by fund type and related notes of the Village of Madison, Lake County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

Although the effects on the financial statements of the variances between regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

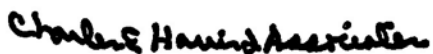
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Madison, Lake County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
April 25, 2016

VILLAGE OF MADISON
LAKE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2015

	Governmental Fund Types					(Memorandum Only) Total
	General	Special Revenue	Debt Service	Capital Projects	Permanent Fund	
RECEIPTS:						
Property and Other Local Taxes	\$ 95,570	\$ 251,614	-	-	-	\$ 347,184
Municipal Income Tax	973,978	-	-	-	-	973,978
Intergovernmental	111,436	293,194	-	-	-	404,630
Special Assessments	-	137,674	-	-	-	137,674
Charges for Services	39,657	15,943	-	\$ 8,312	-	63,912
Fines, Licenses and Permits	88,562	4,236	-	-	-	92,798
Earnings on Investments	997	351	-	-	-	1,348
Miscellaneous	19,194	20,443	-	-	-	39,637
Total Cash Receipts	1,329,394	723,455	-	8,312	-	2,061,161
DISBURSEMENTS:						
Current:						
Security of Persons and Property	365,049	162,153	-	-	-	527,202
Public Health Services	-	28,296	-	-	-	28,296
Leisure Time Activities	23,746	130,398	-	-	-	154,144
Community Environment	-	46,694	-	-	-	46,694
Basic Utility Service	-	119,699	-	-	-	119,699
Transportation	-	318,011	-	-	-	318,011
General Government	461,998	6,097	-	-	-	468,095
Capital Outlay	104,923	109,077	-	98,811	-	312,811
Debt Service:						
Retirement of Principal	-	26,842	\$ 39,664	-	-	66,506
Interest and Fiscal Charges	-	1,731	1,541	-	-	3,272
Total Cash Disbursements	955,716	948,998	41,205	98,811	-	2,044,730
Cash Receipts Over/(Under) Cash Disbursements	373,678	(225,543)	(41,205)	(90,499)	-	16,431
Other Financing Sources (Uses):						
Proceeds of O.W.D.A. Loan	-	-	-	82,427	-	82,427
Transfers-In	-	273,700	39,700	-	-	313,400
Transfers-Out	(313,400)	-	-	-	-	(313,400)
Advances-In	30,000	60,000	-	-	-	90,000
Advances-Out	(60,000)	(30,000)	-	-	-	(90,000)
Total Other Financing Sources (Uses)	(343,400)	303,700	39,700	82,427	-	82,427
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	30,278	78,157	(1,505)	(8,072)	-	98,858
Fund Cash Balance, January 1, 2015	396,527	399,662	1,596	249,407	\$ 75,152	1,122,344
Fund Cash Balances:						
Nonspendable	-	-	-	-	72,363	72,363
Restricted	-	477,819	-	241,335	2,789	721,943
Committed	-	-	91	-	-	91
Assigned	7,102	-	-	-	-	7,102
Unassigned	419,703	-	-	-	-	419,703
Fund Cash Balance, December 31, 2015	\$ 426,805	\$ 477,819	\$ 91	\$ 241,335	\$ 75,152	\$ 1,221,202

See Accompanying Notes to the Financial Statements

VILLAGE OF MADISON
LAKE COUNTY OHIO

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2015

	Proprietary Fund Type	Fiduciary Fund Type	(Memorandum Only) Total
	Enterprise	Agency	
OPERATING CASH RECEIPTS:			
Charges for Services	\$ 1,499,252	\$ -	\$ 1,499,252
Miscellaneous	7,931	43,110	51,041
Total Operating Cash Receipts	1,507,183	43,110	1,550,293
OPERATING CASH DISBURSEMENTS			
Personal Services	242,924	-	242,924
Employee Fringe Benefits	107,904	-	107,904
Contractual Services	490,143	-	490,143
Supplies and Materials	54,807	912	55,719
Other	7,924	-	7,924
Total Operating Cash Disbursements	903,702	912	904,614
Operating Income (Loss)	603,481	42,198	645,679
NON OPERATING CASH RECEIPTS/ (DISBURSEMENTS)			
Mayor's Court Fines	-	63,105	63,105
Earnings on Investments	-	2	2
Special Assessments	34,487	-	34,487
Capital Outlay	(328,495)	-	(328,495)
Miscellaneous Receipts	-	4,653	4,653
Distribution of Fines	-	(61,095)	(61,095)
Debt Service:			
Retirement of Principal	(212,504)	-	(212,504)
Interest and Fiscal Charges	(88,500)	-	(88,500)
Total Non Operating Cash Receipts/ (Disbursements)	(595,012)	6,665	(588,347)
Net Income (Loss)	8,469	48,863	57,332
Fund Cash Balance, January 1, 2015	1,164,663	29,408	1,194,071
Fund Cash Balance, December 31, 2015	<u>\$ 1,173,132</u>	<u>\$ 78,271</u>	<u>\$ 1,251,403</u>

See Accompanying Notes to the Financial Statements

VILLAGE OF MADISON
LAKE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2014

	Governmental Fund Types					(Memorandum Only) Total
	General	Special Revenue	Debt Service	Capital Projects	Permanent Fund	
RECEIPTS:						
Property and Other Local Taxes	\$ 102,665	\$ 14,915	-	-	-	\$ 117,580
Municipal Income Tax	879,007	-	-	-	-	879,007
Intergovernmental	91,796	254,272	-	-	-	346,068
Special Assessments	-	126,433	-	-	-	126,433
Charges for Services	34,176	15,141	-	7,444	-	56,761
Fines, Licenses and Permits	84,462	5,883	-	-	-	90,345
Earnings on Investments	2,106	721	-	-	333	3,160
Miscellaneous	20,869	21,816	-	-	-	42,685
Total Cash Receipts	1,215,081	439,181	-	7,444	333	1,662,039
DISBURSEMENTS:						
Current:						
Security of Persons and Property	477,732	19,456	-	-	-	497,188
Public Health Services	-	23,942	-	-	-	23,942
Leisure Time Activities	15,835	121,205	-	-	-	137,040
Basic Utility Service	-	98,325	-	-	-	98,325
Transportation	-	263,665	-	-	-	263,665
General Government	428,941	4,054	-	-	-	432,995
Capital Outlay	46,970	10,000	-	28,761	-	85,731
Debt Service:						
Retirement of Principal	-	-	38,185	-	-	38,185
Interest and Fiscal Charges	-	-	3,017	-	-	3,017
Total Cash Disbursements	969,478	540,647	41,202	28,761	-	1,580,088
Cash Receipts Over/(Under) Cash Disbursements	245,603	(101,466)	(41,202)	(21,317)	333	81,951
Other Financing Sources (Uses):						
Proceeds of O.W.D.A. Loan	-	-	-	16,267	-	16,267
Transfers-In	-	228,500	42,000	-	-	270,500
Transfers-Out	(270,500)	-	-	-	-	(270,500)
Advances-In	35,000	-	-	-	-	35,000
Advances-Out	-	(35,000)	-	-	-	(35,000)
Total Other Financing Sources (Uses)	(235,500)	193,500	42,000	16,267	-	16,267
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	10,103	92,034	798	(5,050)	333	98,218
Fund Cash Balance, January 1, 2014	386,424	307,628	798	254,457	74,819	1,024,126
Fund Cash Balances:						
Nonspendable	-	-	-	-	72,363	72,363
Restricted	-	399,662	-	249,407	2,789	651,858
Committed	-	-	1,596	-	-	1,596
Assigned	35,630	-	-	-	-	35,630
Unassigned	360,897	-	-	-	-	360,897
Fund Cash Balance, December 31, 2014	\$ 396,527	\$ 399,662	\$ 1,596	\$ 249,407	\$ 75,152	\$ 1,122,344

See Accompanying Notes to the Financial Statements

**VILLAGE OF MADISON
LAKE COUNTY OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2014**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>(Memorandum Only) Total</u>
	<u>Enterprise</u>	<u>Agency</u>	
OPERATING CASH RECEIPTS:			
Charges for Services	\$ 1,427,833	\$ 300	\$ 1,428,133
Miscellaneous	40,242	-	40,242
Total Operating Cash Receipts	1,468,075	300	1,468,375
OPERATING CASH DISBURSEMENTS			
Personal Services	233,278	-	233,278
Employee Fringe Benefits	118,626	-	118,626
Contractual Services	524,746	-	524,746
Supplies and Materials	49,249	48	49,297
Other	3,813	-	3,813
Total Operating Cash Disbursements	929,712	48	929,760
Operating Income (Loss)	538,363	252	538,615
NON OPERATING CASH RECEIPTS/ (DISBURSEMENTS)			
Mayor's Court Fines	-	73,090	73,090
Earnings on Investments	-	3	3
Special Assessments	36,002	-	36,002
Capital Outlay	(92,534)	-	(92,534)
Miscellaneous Receipts	-	4,218	4,218
Distribution of Fines	-	(74,500)	(74,500)
Debt Service:			
Retirement of Principal	(204,457)	-	(204,457)
Interest and Fiscal Charges	(96,547)	-	(96,547)
Total Non Operating Cash Receipts/ (Disbursements)	(357,536)	2,811	(354,725)
Net Income (Loss)	180,827	3,063	183,890
Fund Cash Balance, January 1, 2014	983,836	26,345	1,010,181
Fund Cash Balance, December 31, 2014	\$ 1,164,663	\$ 29,408	\$ 1,194,071

See Accompanying Notes to the Financial Statements

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Madison, Lake County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, police services, street repair and maintenance, and water and sewer services to the residents of the Village. The Madison Fire District provides fire protection services to the Village residents.

The Village participates in a jointly governed organization, the Northeast Ohio Public Energy Council (NEOPEC). NEOPEC is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and/or natural gas. See Note 10 to the financial statements for further information.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. BASIS OF ACCOUNTING

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. DEPOSITS AND INVESTMENTS

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investments purchases or receipts for investments sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money mutual funds (including Star Ohio) are recorded at share values in the mutual funds reports.

D. FUND ACCOUNTING

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

These funds account for the proceeds of specific sources (other than from capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline and motor vehicle tax money for construction, maintenance and repairing of Village streets.

Senior Citizens Operating Fund – This fund receives intergovernmental monies for the operation of the Senior Citizens Center.

3. Debt Service Funds

This fund is used to accumulate resources for the repayment of bond and loan indebtedness. The Village had the following significant Debt Service Fund:

General Obligation Bond Retirement Fund – This fund is used to pay the principal and interest on bonds and loans issued for various improvements.

4. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Senior Citizens Capital Fund – This fund receives grants and charges for maintenance and improvements to the Senior Citizens Center.

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent only earnings, not principal are available to support the Village's programs. The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village cemetery.

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

Proprietary Fund Types:

6. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Sewer Capital Fund - This fund receives charges for services from residents to which are used to improve the Village's Waste Water Treatment Plant.

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

7. Fiduciary Fund Types:

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations and other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's primary agency fund accounts for the collection and distribution of Mayor's Court fines, fees, and bonds.

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations at year-end are carried over to the subsequent year.

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS – (continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried forward and need not be re-appropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action by resolution or ordinance. The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, ordinance, or by State Statute.

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. FUND BALANCE – (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. PROPERTY, PLANT AND EQUIPMENT

The Village records disbursements for acquisition of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$2,060,351	\$1,904,473
Certificates of Deposit	\$118,068	\$118,068
STAR Ohio	<u>\$294,186</u>	<u>\$293,874</u>
Total	<u><u>\$2,472,605</u></u>	<u><u>\$2,316,415</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2015 and 2014**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 is as follows:

<u>Fund Type</u>	<u>2015 Budgeted vs. Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,177,050	\$ 1,359,394	\$ 182,344
Special Revenue	1,190,823	1,057,155	(133,668)
Debt Service	43,700	39,700	(4,000)
Capital Projects	525,080	90,739	(434,341)
Permanent	210	-	(210)
Enterprise	1,474,900	1,541,670	66,770
Total	<u>\$ 4,411,763</u>	<u>\$ 4,088,658</u>	<u>\$ (323,105)</u>

<u>Fund Type</u>	<u>2015 Budgeted vs. Actual Budgetary Basis Disbursements</u>		
	Total Appropriations	Budgetary Disbursements	Variance
General	\$ 1,023,266	\$ 1,336,218	\$ (312,952)
Special Revenue	1,333,090	978,998	354,092
Debt Service	44,000	41,205	2,795
Capital Projects	572,325	98,811	473,514
Permanent	-	-	-
Enterprise	2,085,346	1,533,201	552,145
Total	<u>\$ 5,058,027</u>	<u>\$ 3,988,433</u>	<u>\$ 1,069,594</u>

<u>Fund Type</u>	<u>2014 Budgeted vs. Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,567,325	\$ 1,250,081	\$ (317,244)
Special Revenue	999,251	667,681	(331,570)
Debt Service	49,725	42,000	(7,725)
Capital Projects	760,957	23,711	(737,246)
Permanent	75,019	333	(74,686)
Enterprise	2,434,835	1,504,077	(930,758)
Total	<u>\$ 5,887,112</u>	<u>\$ 3,487,883</u>	<u>\$ (2,399,229)</u>

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2015 and 2014**

3. BUDGETARY ACTIVITY – (continued)

2014 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Total</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Appropriations</u>	<u>Disbursements</u>	
General	\$ 1,516,796	\$ 1,275,608	\$ 241,188
Special Revenue	769,227	575,647	193,580
Debt Service	42,000	41,202	798
Capital Projects	652,500	28,761	623,739
Permanent	5,000	-	5,000
Enterprise	1,876,246	1,323,250	552,996
Total	<u>\$ 4,861,769</u>	<u>\$ 3,244,468</u>	<u>\$ 1,617,301</u>

4. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. INCOME TAXES

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residence, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2015 and 2014**

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority	\$1,807,486	2.8 to 4.5 %
Ohio Public Works Commission Loan	22,600	0.00%
Total	\$1,830,086	

The Ohio Public Works Commission (OPWC) loan relates to improvements in the Village's waterlines. The loan will be repaid in semi-annual installments of \$3,150, over 20 years. Interest is 0%. The Ohio Water Development Authority loans were for improvements to the Village water and sewer plants and lines.

The prior year balance of \$481,943 for the OWDA loan 6443, Waterline Construction issue was not listed in the prior year audit. The issue was for waterline improvements to the Village's water system. The loan will be repaid in semi-annual installments for 30 years. The amortization schedule was not available at the end of field work.

Amortization of the above debt, including principal and interest, is scheduled as follows:

Year ending	OPWC	OWDA	Total
Decemebr 31: 2016	\$6,300	\$222,757	\$229,057
2017	6,300	220,957	227,257
2018	2,500	133,091	135,591
2019	2,500	134,411	136,911
2020	5,000	134,756	139,756
2021-2025	-	582,800	582,800
2026-2030	-	115,334	115,334
Total	\$22,600	\$1,544,106	\$1,566,706

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2015 and 2014**

7. CAPITAL LEASE

In a prior year, the Village entered into a capital lease for a dump truck. Future minimum lease payments are as follows:

Year ending December 31:	Dump Truck
2016	\$ 28,572
2017	28,572
2018	28,572
2019	28,572
Total	<u>\$ 114,288</u>

8. RETIREMENT SYSTEM

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple – employer plans. The Ohio Revised Code prescribes these plans benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014 OPERS members contributed 10% of their gross salaries and the Village contributed an amount equal to 14% of participants gross salaries. For OP&F from January 1, 2014 through June 30, 2014 OP&F participants contributed 10.75% of their wages. From July 1, 2014 through June 30, 2015 OP&F participants contributed 11.50% percent of their wages. From July 1, 2015 through December 31, 2015 OP&F participants contributed 12.25% of their wages. For 2015 and 2014, the Village contributed 19.5% of full-time police wages. The Village has paid all contributions required through December 31, 2015.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Equipment;
- Vehicles; and
- Errors and Omissions.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2015 and 2014**

10. JOINTLY GOVERNED ORGANIZATIONS

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 124 communities who have been authorized by ballot to purchase electricity on behalf of the citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to service on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by a participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2014 and 2015. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Solon, Ohio 44139.

11. INTERFUND TRANSFERS/ADVANCES

In 2015 and 2014 the Village transferred money to the Street Construction, Maintenance and Repair Fund, Cemetery Fund, Senior Center, Federal Grants Funds, the Police Pension Fund – Special Revenue Funds and to the General Obligation Bond Retirement Fund – Debt Service Fund for the purpose of meeting current expenses and paying debt.

12. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

13. COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (B), the Village had disbursements plus encumbrances exceeding appropriations in various funds.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Village of Madison
Lake County
126 West Main Street
Madison, OH 44057

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Madison, Lake County (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated April 25, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses in internal control may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2015-001.


We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 25, 2016.

Entity's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.

April 25, 2016

**VILLAGE OF MADISON
LAKE COUNTY
SCHEDULE OF FINDINGS
December 31, 2015 and 2014**

FINDING NUMBER 2015 – 001: Noncompliance

Section 5705.41(B), Revised Code, prohibits the Village from making expenditures unless they have been properly appropriated. The following funds were found to have disbursements and encumbrances in excess of appropriations at December 31, 2015 and 2014:

Fund	Total		Variance
	Appropriations	Disbursements & Encumbrances	
<u>2015</u>			
General Fund	\$ 1,023,266	\$ 1,336,218	\$ (312,952)
Special Revenue Fund			
Permissive Motor Vehicle	12,000	12,953	(953)
Enterprise Fund			
Water and Sewer Deposits	4,000	6,324	(2,324)

Management Response:

It appears that appropriations were not updated correctly causing the variances to occur. These were inadvertent errors based mainly on inexperience and should not occur in subsequent years. The Village will institute procedures to monitor budgetary variances more stringently in the future.

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ending December 31, 2013 and 2012, reported no material citations or recommendations.

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Dave Yost • Auditor of State

VILLAGE OF MADISON

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 28, 2016